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**COUNTRY-LEVEL FOREIGN INSTITUTIONAL INVESTMENT
HORIZONS, EXCESS CASH HOLDINGS, AND FIRM VALUE:
INTERNATIONAL EVIDENCE**

Abstract:

Using a sample of 15,332 firms from 32 countries over 2007 and 2018, this study investigates the impact of country-level heterogeneity in foreign institutional investment horizons on the value of excess cash holdings. We use a country-level adjustment to the investment horizon approach of Gaspar et al. (2005) to measure the country-level horizons of foreign institutional investors (FIIs). The findings reveal that long-term country-level FIIs significantly increase the value of excess cash holdings. The impact of short-term country-level FIIs remains statistically insignificant. We obtain qualitatively unchanged results in the additional checks for robustness. Overall, our results highlight the significance of country-level heterogeneity in the monitoring efficacy of FIIs in corporate strategic decisions across individual portfolio countries.

Keywords:

Investment horizon; Cash holdings; Foreign institutional ownership; International corporate governance, Firm value

JEL Classification: G32, G23, G34